

BEFORE THE  
TRADE POLICY STAFF COMMITTEE  
WASHINGTON, D.C.

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SAFEGUARD ACTION

**Imports of Certain Steel Products**

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POST-MEETING COMMENTS ON PRESIDENTIAL ACTION  
REGARDING LONG PRODUCTS No.9 (HOT-ROLLED BAR AND LIGHT SHAPES) AND  
No.10 (COLD-FINISHED BAR)

Submitted on Behalf of  
Canadian Producers

**Co-Steel Lasco**  
**Gerdau Courtice Steel Inc.**  
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**Ispat Sidbec Inc.**  
**Laurel Steel**  
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## Introduction and Summary

The Canadian Long Products Group, six producers of hot rolled bar and light shapes (hereinafter “HRB”) and cold finished bar (hereinafter “CFB”), submit these comments to the Trade Policy Staff Committee, to address points raised at the January 8, 2001 meeting with the TPSC and to re-emphasize the fundamental points why the President should not impose tariffs or quotas on imports of steel products from Canada.

- The US steel producers, the Steelworkers, and their Congressional representatives strongly oppose the imposition of any tariffs or quotas on imports of steel from Canada.
- There is extensive cross-border ownership of steel production facilities in both the US and Canada. This reflects the integration and rationalization of production contemplated and encouraged by NAFTA. As a result, cross-border shipments of steel in both directions are continuing to increase.
- Imports of HRB and CFB from Canada are not downward price leaders in the US market. Some imports from other countries are higher priced, but only because they are higher grade products.
- Under the terms of Section 311 (b) of the NAFTA Implementation Act, the President cannot impose restraints on imports of steel from Canada because those imports, which have grown at a much lower rate than imports as a whole, are not contributing importantly to the serious injury the US producers may be suffering.

### I. The U.S. Producers, the Steelworkers Union and their Congressional Representatives Oppose Restraints on Imports of HRB and CFB from Canada

It cannot be emphasized enough that the U.S. producers of HRB and CFB strongly oppose any restraints on imports of Canadian HRB and CFB. Of equal importance, the Steelworkers union and the Congressional Steel Caucus takes the same position.

When Chairman Koplan asked the U.S. producers of Long Products what they thought of the Canadian argument that integration of the U.S. and Canadian steel market should distinguish trade between the two countries from the rest of the world, their response recited the same facts we had cited in our briefs and testimony to the Commission, and concluded by saying the following:

Accordingly, under Section 311 of the NAFTA Implementation Act (19 U.S.C. § 3371(a) - (c) (2001), the Commission should find that (1) imports of long steel mill products from Canada and Mexico, considered individually, do not account for a substantial share of total imports, and (2) NAFTA imports of long steel mill products, considered individually or collectively, *do not contribute importantly to the serious injury, or threat thereof*, caused by imports. (emphasis supplied)<sup>1</sup>

Nevertheless, unaccountably Chairman Koplan was one of the four Commissioners who found that Canadian imports were contributing importantly to serious injury.

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<sup>1</sup> Post-hearing Brief (Injury) of Minimill 201 Coalition (Long Products), vol. 5, Exh. 5.

Not only the domestic industry, but the Chairman of the Congressional Steel Caucus, Rep. Phil English, testified against imposing any restrictions on imports from Canada.<sup>2</sup> So did Leo Gerard, president of the United Steelworkers of America.<sup>3</sup> Both industry and labor on the U.S. side of the North American integrated industry recognize that U.S. and Canadian cross-border steel trade is in balance. And they know full well that, since NAFTA, U.S. shipments of steel to Canada have grown at a far faster rate than Canadian shipments to the United States. The union, the U.S. producers and their Congressional representatives do not want to jeopardize that stunning success.

II. The Extensive Cross-Border Ownership of HRB and CFB Production Facilities in the United States and Canada Reflects the Successful Achievement of NAFTA Trade and Investment Objectives.

Three of the six Canadian mills producing HRB are owned by or affiliated with U.S. HRB producers, and at least three U.S. mills are owned by Canadian producers. This cross-ownership has often led to product specialization on both sides of the border, leading in turn to important production economies. For example, Stelco - a Canadian company - is a joint venturer with GS Industries - a U.S. company - in Stelco's Edmonton, Alberta plant that furnishes grinding rod bar for ultimate use by the North American mining industry. Stelco is the

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<sup>2</sup> Transcript of hearing on injury at 381-82 (September 19, 2001).

<sup>3</sup> Transcript of hearing on injury at 88-89 (September 17, 2001).

only North America source of this type of hot rolled bar. These facts were the subject of testimony at the hearings on injury held by the U.S. International Trade Commission (“ITC”).<sup>4</sup>

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<sup>4</sup> Transcript of hearing on injury at 1558 (September 24, 2001)(Testimony of Don Belch).

There are only three Canadian plants producing CFB, all in the Toronto region. Two of the three mills are owned by U.S. companies. The third and largest mill, Laurel Steel, purchases a substantial amount (about 30,000 tons in year 2001 alone) of hot rolled leaded bar from the only two producers in North America, both located in the United States. This year Laurel will be purchasing even more leaded bar from those two mills. About 80 percent of the value of the CFB that Laurel ships back to the United States, which must be marked as a product of Canada. origin, is in fact attributable to the value of the U.S. HRB.<sup>5</sup> And yet, four Commissioners found that Canadian CFB was “contributing importantly” to serious injury!

II2. Canadian Imports of HRB and CFB are Not Exerting Downward Price Pressures in the US Market

The prices of imports of HRB from Canada are in the same range as those of HRB sold by U.S. producers when types or grades of product are compared. Prices from other import sources may appear higher than Canadian prices when compared on a rough aggregate basis, but those other imports are typically of higher value products (such as free-machining steel, which is not made in Canada), which of course command higher prices.

It is also worth noting that most of the production costs of Canadian HRB mills, with the exception of labor, are pegged to the U.S. dollar. Scrap steel, iron ore, energy costs are examples. With respect to CFB, up to 80% of the total cost is the leaded hot rolled bar raw material which - whether from U.S. or foreign sources - is always purchased in U.S. dollars.

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<sup>5</sup> Id at 1562 (Testimony of A. Sierck).

This is a further reason why Canadian HRB and CFB producers, which continue to earn modest profits, are as a practical matter not in a position to dramatically undersell their U.S. competitors.

The prices of imports of CFB from Canada are also in the same range as U.S. prices. By no means can the Canadians be considered downward price leaders.

Attached is a one-page chart prepared last year by the U.S. Cold Steel Finished Bar Institute and attached as an exhibit to the Canadian Long Products Group's brief to the ITC on remedy issues. For the year 2001 (11 months) that chart shows the average unit value of Canadian CFB imports to be slightly higher than the U.S. average unit value. In contrast, the average unit value of large-volume imports of CFB from countries such as Germany, France and especially Ukraine and Spain are much lower.

Supporting this evidence is the testimony at the ITC remedy hearing of Paul Darling, CEO of Corey Steel, a leading U.S. CRB producer. He stated unequivocally that "we see no evidence that Canadian imports [of CFB] are being offered in our market at prices lower than those sought by domestic producers."<sup>6</sup>

IV. The Trade Statistics Compel the President to Conclude that Canadian Imports of HRB and CFB Are Not Contributing Importantly to the U.S. Industry's Injury.

The import data before the ITC contradict the ITC's erroneous determination that imports of HRB and CFB are contributing importantly to the US industry's serious injury in those

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<sup>6</sup> Transcript of hearing on remedy at 504 (November 8, 2001).



sectors. The NAFTA Implementation Act requires the President to make his own determination on this point, and thus he owes the ITC's erroneous conclusion no deference.

Section 311 (b) (2) of the NAFTA Implementation Act provides that imports from a NAFTA country shall "normally" not be considered to be contributing importantly to injury if the rate of growth of its imports is "appreciably lower" than that of overall imports. In regard to both HRB and CFB, the rate of growth was far less than the one half at a time when domestic demand was increasing. This conforms with any rational reading of the term "appreciably lower".

Canadian imports were not downward price leaders, and there is therefore no reason for the President to depart from the "normal" rule that an appreciably lower growth of imports from Canada requires a negative ruling under Section 311 (b).

#### Conclusion

The facts, the law and the trade policy considerations all compel the conclusion that the President must exclude imports of hot rolled bar and light shapes and cold finished bar from the scope of any import restraints that might be imposed. On this point, there is no dissent in the United States industry, its workers and Congressional representatives.

Respectfully submitted,

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